

DISPATCH

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Chief, ER

John COT

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Chief of Base, Berlin

DATE
1 March 1960

Operational/CADORY

RE-CLASSIFIED BY ONE

LCCASSOCK/October-December 1959 Progress Report and

MARKED FOR INDEXING

Liquidation Developments January-February 1960

NO INDEXING REQUIRED

INDEXING CAN BE JUDGED
BY QUALIFIED HQ DESK ONLY

Summary of October-December Operations

- a. Under Attachment A is the LCCASSOCK report of operations during October 1959.
- b. Under Attachment B are copies of the issue of the LCCASSOCK commercial magazine produced in December 1959 (January 1960 issue).
- c. Under Attachment C are copies of the November 1959 issue of Nachrichten aus Deutschland. Other LCCASSOCK media produced in November-December 1959 were forwarded under EUBA-61190, 12 January 1960. Media produced in October were transmitted under EUBA-60518, 3 November 1959, and EUBA-60383, 30 October 1959.
- d. The "Long" mailing list used in the distribution of the Polish edition of Der Grosse Verrat (the last forwarded as Attachment B to EUBA-13061, 18 August 1959) was returned to the undersigned after the action was completed (see paragraph 1 of EUBA-60383, 30 October 1959). Unless advised otherwise, this list will be destroyed at BOB.
- e. Following the submittal of a formal appeal from CARDINAL and the intercession of [redacted] of Berlin (CASH) at our request, the Landesschatzamt (LFA) agreed to review their 1 per cent turnover tax levy against CARDINAL and to consider a reinstatement of the former 1 per cent rate (see EUBA-60461, 9 September 1959, and EUBA-60383, 30 October 1959, and previous related traffic on this case). At this writing a final LFA decision has not been received, but it appears that the 1 per cent levy on 1958 CARDINAL income will be rescinded by the LFA (this would include a refund to CARDINAL of the DM 3,231.70 payment reported in EUBA-56201) and that a rebate to CARDINAL of the difference between 1 per cent and the 4 per cent rate paid by CARDINAL in 1959 (amounting to DM 14,701.25) is being considered. A final decision possibly subject to approval of the Federal Finance Ministry in Bonn. If a satisfactory solution cannot be arranged locally by CARDINAL dealing directly with the LFA, we will have to return the matter to Bonn Base and CALANATE for political intervention with the Federal Finance Ministry.

2. Summary of January-February Liquidation Activity

- a. Our estimate of the cost of post-liquidation and FY 1960 budget requirements, together with a rough working chronology of the termination schedule was forwarded with EUBA-60381, 29 October 1959. Pursuant to EUBA-7319, 4 November 1959, and DER-03108, 23 November 1959, this estimate provided the guidelines for post-liquidation in the ensuing period.

Approved:

Attachments:

- A. LCCASSOCK Monthly Rep't of Activities, Oct 59 - USC
- B. Copies of LCCASSOCK Commercial Magazine, Jan 50 issue - USC
- C. Copies of NAD, Nov 59 - H/V
- D. LCCASSOCK Post-liquidation Accounting, Oct-Dec 59, - USC
- E. LCCASSOCK Summary Accounting, Oct-Dec 59 - H/V

Distribution:

- ER m/atta A, B (6 yrs), C (6 yrs), D and E
ECS m/atta B (3 yrs), C (3 yrs), D and E

USE PREVIOUS EDITION
REPLACES FORMS
SI-26, SI-26A AND SI-26B
WHICH ARE OBSOLETE

CLASSIFICATION
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DECLASSIFIED AND RELEASED BY
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SOURCE METHOD CODE EXEMPTION 3B2B
NAZI WAR CRIMES DISCLOSURE ACT
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At the beginning of January 1960 all rights and title to the LCCASSOCK commercial magazine were transferred to LCCASSOCK-1. He subsequently assumed for production of the magazine issue, utilizing the facilities of the Ringier AG, without cost to LCCASSOCK (except for the use of the CARDINALE office by two editors); however, he was unable to find a buyer for the magazine by the publishing deadline for the March issue. Thus, the ill-fated LCCASSOCK commercial magazine has finally expired. Cost of burial (notifications, rebates, etc., to subscribers, distributors and creditors) will be assumed by the project within the framework of the HRSA-60381 estimate. (Note that above-out costs of the commercial magazine (including payment of bills normally falling due in preceding months), the balance from previous income from the commercial magazine, and December sales income are included in the December summary accounting under attachment D.)

LCCASSOCK-1 has transferred his equity in CARDINALE to [redacted] has been removed as CARDINALE business manager, has received a termination payment, has signed a secret agreement and quit-claim, and has accepted an offer of employment with HPMING. He will begin work with HPMING in Munich around the first of March. According to LCCASSOCK-1, he will be working as a staffer in the HPMING "Political Department (Politische Abteilung)" under [redacted] but with a view to eventually carving a future for himself in the "Propaganda Department (Publizistische Abteilung)" under [redacted]. A final meeting with LCCASSOCK-1 will be held before he departs for Munich, after which we will forward his AER, quit-claim, etc.

LCCASSOCK-1 has transferred his CARDINALE equity to [redacted] and has received his termination payment but is continuing to work during the liquidation process. This assistance has been of considerable value, particularly in connection with the 1 per cent turnover tax case and the termination of the telephonemaster contract. It is expected that our relationship with him will be formally terminated in the next few weeks, at which time we will forward his AER and quit-claim.

LCCASSOCK-8 is LCCASSOCK-1's successor as CARDINALE business manager and is also acting as initial liquidator of CARDINALE-in-liquidation. During the 18-month legal liquidation period, she will handle all routine matters connected with CARDINALE dissolution.

All other LCCASSOCK employees, except four staffers whose tenure and status required payment until 31 March 1960, were terminated and dismissed on 31 December 1959. Of the four remaining employees, two departed the middle of February, the other two at the end of February. The LCCASSOCK offices were physically vacated on 1 March. CARDINALE equipment and furniture have been sold. All operational files (except the LCCASSOCK distribution list of SED members, which we will hold pending further examination as to its operational usefulness) have been removed from the CARDINALE office and destroyed.

In December [redacted] replaced LCCASSOCK-7 as trustee of our equity in CARDINALE. In January he became sole equity holder in the business (following the transfer of equity by LCCASSOCK-1 and LCCASSOCK-4). At the end of January the CARDINALE GmbH was formally placed in liquidation. Under HRSA-8267, 18 January 1960, cover correspondence to backstop the CARDINALE liquidation was forwarded for headquarters preparation and return to LCCASSOCK.

Assuming satisfactory settlement of the tax case, the cost of project liquidation will almost certainly be less than the maximum projected in HRSA-60381. In certain instances, notably in the negotiated payments required to terminate the office rental and telephone system contracts, costs have been considerably less than anticipated. Income from sale of assets, etc., will probably approximate our original estimate.

3. Indications of Effectiveness: See Attachment A report.
4. Security Developments: None.
5. Changes in Assets: See paragraph 2 above.

Financial Report:

- a. LCCASSOCK project accountings for the months October, November and December 1959 are forwarded under separate cover Attachment D.
- b. LCCASSOCK summary accountings for the same months are forwarded herewith under Attachment E.
- c. Project financial status as of 31 December 1959:

FY 1960 Obligations:

FY 1960 budget

Monthly obligations:

July 1959	7,500
August 1959	7,282**
September 1959	6,785
October 1959	6,873
November 1959	6,411
December 1959	6,000

Unobligated balance as of 31/12/59

Disbursements FY 1960:

Monthly project subsidies:

July 1959	7,500
August 1959	6,805
September 1959	6,785
October 1959	6,873
November 1959	6,411
December 1959	6,000

Other project disbursements:

C/O op. expense, Jul 59	2.62
C/O op. expense, Aug 59	4.08
L-7's fee, Aug 59	477.00
C/O op. expense, Oct 59	8.31
C/O op. expense, Nov 59	.93
C/O op. expense, Dec 59	.86
Xmas bonus for L-4, Dec 59	85.71
L-4 partial termination payment, Dec 59	595.24

Cumulative disbursements to 31/12/59

- *Per Allocation Advice No. 2, contained in OOS Memorandum of 17 December 1959.
- **See also EOGA-7319, 4 November 1959, and paragraph 1 of DIR 03108, 25 November 1959.
- **Includes L-7's fee, August 1959.

7. Case Officer Comments: With the termination of project operations, this will be the last Progress Report per se. We will report on separate developments as appropriate, submit another round-up of developments when the main work of liquidation is completed and only the sweat-out of the 12-month legal liquidation period remains, and forward a termination report at the appropriate time.